



MICHIGAN HEALTH & HOSPITAL ASSOCIATION

*Linking patients, communities, and providers together for better health.*

TO: Members, House Education Committee

FROM: Brian Peters, Senior Vice President, Advocacy

DATE: December 6, 2005

SUBJECT: **Senate Bill 896**

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Thank you for the opportunity to provide feedback on Senate Bill 896. This bill to create the school employees health benefit act proposes a new statewide catastrophic stop loss fund to reinsure school employee benefits at the discretion of a school employee benefits plan, and a number of new requirements and exemptions for pooling to provide school employee health care benefits. This is a complex proposal and the long-term effect on Michigan's nonprofit hospitals is not readily apparent.

The MHA does have immediate concerns regarding two provisions in Senate Bill 896. The bill allows school employers to group together for the purpose of insuring health benefits, but specifically exempts these self-insured groups from all requirements of Michigan's insurance code. This exemption includes any reserve requirements. The MHA encourages the committee to consider more specific reserve requirements than those currently in the bill, perhaps by adopting some of the specific financial requirements from the insurance code. Without adequate reserves and reasonable oversight, self-insured plans are likely to become insolvent. In such cases, providers are left bearing the cost of care, an experience many of our member hospitals have recently endured after a number of HMO financial failures. Michigan nonprofit hospitals already provide uncompensated care worth over \$1 billion annually. The ability to deliver care to all patients is endangered by under funding, whether from public or private payers.

The bill also requires extensive quality, cost and claims data reporting. Numerous quality initiatives are already underway in Michigan. Providers are already engaged in reporting for a number of public and private purposes. Michigan hospitals, through the MHA Keystone Center for Quality and Patient Safety, are using evidence-based protocols to save lives, and are producing cost savings in excess of \$165 million in the ICU setting alone. The MHA recommends the committee consider the existing reporting requirements and quality initiatives in this legislation, rather than leave this open to interpretation by each self-insured employer or group. The resulting administrative burden would outweigh the value of such reporting to the health care system. The legislature recently established a structure for Michigan's patient safety efforts in Public Act 119 of 2004. The Patient Safety Commission is just now finishing its work and will publish its final recommendations soon. This process should be allowed to develop and provide a statewide patient safety strategy.

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Another issue with reporting is the requirement for providing claims and cost data. It appears that this data could be required in different formats, in different combinations and for different time periods, for each school employer or group of school employers. This is an extreme administrative burden for which no reimbursement is contemplated within the legislation. In addition, payments to providers vary dramatically between different third-party payers. Payment rates are negotiated based on volumes and other considerations such as severity of injury or illness. Claims data may be useful in some circumstances, but simply reporting costs and procedures may not accurately reflect what would be the appropriate payment system for another set of future health benefits. Using this information for future bidding purposes would require a much better organization of data and the MHA suggests that providers and purchasers be included in a discussion of how to use this data and in which form.

Again I appreciate the opportunity to share the MHA member concerns on this legislation and look forward to working with the committee to improve the quality and cost effectiveness of health care delivery in Michigan. I can be reached at 517/703-8601 should you have further questions.